

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6565**

**BILL NUMBER:** HB 1077

**NOTE PREPARED:** Jan 12, 2010

**BILL AMENDED:** Jan 11, 2010

**SUBJECT:** Sales Tax Increment Finance.

**FIRST AUTHOR:** Rep. Stilwell

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) The bill authorizes an economic development project district in Warrick County. It provides that the authority for Warrick County expires if the State Board of Finance fails to approve a district before January 1, 2015. It requires a resolution establishing a district in Warrick County to be ratified by the county fiscal body and board of county commissioners. It provides that if a district is approved by the State Board of Finance, the district must be approved by ordinance by the county fiscal body. It also provides that a district designated for Warrick County expires if bonds are not issued before January 1, 2015, to finance a local public improvement project in the district.

The bill increases the maximum term of bonds and leases for a district from 20 to 25 years and specifies the permitted uses of the sales tax increment that may be captured within the Warrick County district. It exempts a district in Warrick County from a statute that: (1) requires tax increment financing to be maximized in a community before the State Board of Finance may approve a proposed district; and (2) prohibits certain property tax abatements in districts.

The bill prohibits the deposit of state Gross and Retail Use Taxes in the Sales Tax Increment Financing Fund with respect to a particular district after December 31 of the calendar year in which the State Board of Finance determines that no obligations to finance a local public improvement in the district remain outstanding.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** Under the bill, the Department of State Revenue (DOR) would have to calculate the gross retail incremental amount for the Warrick County sales tax increment financing (STIF)

district authorized under the bill. In addition, the State Board of Finance would have approval and oversight responsibilities relating to the Warrick County STIF district. The Auditor of State provides staffing for the Board of Finance. Both agencies' current level of resources should be sufficient to implement these tasks relating to the STIF district authorized by the bill.

**Explanation of State Revenues:** (Revised) *Warrick County STIF District:* The bill extends the current STIF law to authorize a STIF district in Warrick County. The Warrick County STIF district would have to be reviewed and approved by the State Board of Finance. The authority to establish the Warrick County STIF district would expire on January 1, 2015, if the State Board of Finance fails to approve the district by that date; and, if designated, the district would expire on January 1, 2015, if the county redevelopment commission fails to issue bonds to finance the public improvement project in the district by that date.

The Warrick County STIF district would be permitted to capture a maximum of 80% of the gross incremental Sales Tax revenue generated by STIF district businesses each year. The gross incremental amount is the total Sales Tax revenue generated during a fiscal year by district businesses minus the amount generated by district businesses in the fiscal year prior to the STIF district being designated.

The proposed Warrick County STIF district would reduce Sales Tax collections deposited in all the funds in the current Sales Tax distribution formula by an indeterminable amount. This would occur as Sales Taxes from retail transactions within the STIF district are diverted from state funds to the STIF fund. The net revenue impact of diverting the Sales Tax collections to the Warrick County STIF district depends on the extent that additional tax collections from retail activity and employment attributable to the investment in the STIF district is less than or exceeds the amount of Sales Tax collections diverted to the district's STIF fund. However, if the investment would have occurred in the absence of the STIF district, the state incurs a revenue loss equal to the total amount of Sales Tax collections diverted to the district's STIF fund.

Sales Tax collections are currently deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). The revenue that would have been deposited in these funds will be deposited in the Warrick County STIF fund.

(Revised) *STIF Districts in General:* The bill makes two changes that would affect the Warrick County STIF district as well as other STIF districts that might be authorized under current statute. The bill increases the maximum term of bonds and leases for a STIF district from 20 years to 25 years. The bill also prohibits Sales Tax from being deposited in a STIF fund for a particular district after the end of the calendar year in which the State Board of Finance determines that no obligations incurred for purposes of district public improvements are outstanding.

**Background Information:** Current statute authorizes STIF districts in Hammond, South Bend, Fort Wayne, and Evansville. So far, no STIF district has been established under these provisions. Current statute permits a Hammond STIF district to capture a maximum of 80% of the gross incremental Sales Tax revenue generated by district businesses each year (the same limit proposed for the Warrick County STIF district). Current statute imposes different capture limits for STIF districts established in South Bend, Fort Wayne, and Evansville. STIF districts in South Bend are limited to a maximum of 40% of the gross incremental Sales Tax revenue generated each year, up to a dollar limit of \$1 M. STIF districts in Fort Wayne and Evansville are also subject to the 40% annual limit with a lifetime dollar limit of \$1 M.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Warrick County STIF District:* All Sales Tax revenue diverted to the Warrick County STIF district is required to be deposited in the district's STIF fund. The Warrick County district must be located in whole or in part on reclaimed coal land near the Blue Grass Fish and Wildlife Area and I-164; and must adjoin the northernmost boundary of the Fish and Wildlife Area. The project is being pursued by the Hoosier Heritage Youth Foundation and calls for the development of the Village Earth Interpretative Center at the site. The proposal calls for the construction of a multi-faceted tourist attraction anchored by the interpretative center, including plans for lodging, dining, and retail facilities, an aquarium, and other attractions.

The bill allows money in the STIF fund to be used for the following project costs relating to the Warrick County STIF district:

- (1) The total cost of acquisition of all land, rights-of-way, and other property to be acquired, developed, or redeveloped for the project.
- (2) Site preparation, including utilities and infrastructure.
- (3) Costs associated with the construction or establishment of a museum and education complex and a multi-sport athletic complex that are owned or leased by tax exempt not-for-profit entities.
- (4) Costs associated with the construction or establishment of a museum and education complex and a multisport athletic complex that are owned or leased by: (A) Warrick County; (B) the Warrick County Redevelopment Commission; (C) a redevelopment authority; (D) a leasing body; or (E) entities that are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code.
- (5) Road, interchange, and right-of-way improvements.
- (6) Public parking facilities.
- (7) All reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and development or redevelopment of the property or the issuance of bonds.
- (8) For any bonds issued by an entity to which money from the STIF fund may be pledged, debt service, lease payments, capitalized interest, or debt service reserve for the bonds to the extent the commission determines that a reserve is reasonably required.

**State Agencies Affected:** DOR; State Board of Finance; State Auditor.

**Local Agencies Affected:** Warrick County Redevelopment Commission.

**Information Sources:** Commission on State Tax and Financing Policy, August 27, 2008, meeting minutes.

**Fiscal Analyst:** Jim Landers, 317-232-9869.